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RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN  
DE RUEHSB #0654/01 2141232  
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FM AMEMBASSY HARARE  
TO RUEHC/SECSTATE WASHDC 3248  
INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
RUEHUJA/AMEMBASSY ABUJA 2035  
RUEHAR/AMEMBASSY ACCRA 2196  
RUEHDS/AMEMBASSY ADDIS ABABA 2315  
RUEHRL/AMEMBASSY BERLIN 0847  
RUEHBY/AMEMBASSY CANBERRA 1592  
RUEHDK/AMEMBASSY DAKAR 1950  
RUEHKM/AMEMBASSY KAMPALA 2371  
RUEHNR/AMEMBASSY NAIROBI 4802  
RHEHAAA/NSC WASHDC  
RHMFISS/EUCOM POLAD VAIHINGEN GE  
RUEHGV/USMISSION GENEVA 1461  
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK  
RHEFDIA/DIA WASHDC  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000654

SIPDIS

AF/S FOR G. GARLAND  
ADDIS ABABA FOR USAU  
ADDIS ABABA FOR ACSS  
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN  
TREASURY FOR D.PETERS AND T.RAND  
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN  
COMMERCE FOR BECKY ERKUL

E.O.12958: N/A

TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [EAGR](#) [EFIN](#) [EMIN](#) [ZI](#)  
SUBJECT: ZIM NOTES AUGUST 1, 2008

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1. SUMMARY  
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Topics of the week:

- Negotiations to Resume
- Violence Continues
- U.S. Expands Financial Sanctions
- Newspapers Reduce Print Run
- Wildlife Poached
- Stop-Gap Measures in Latest Monetary Statement
- Technical Glitches in Broadcast of Gono's Statement
- Business Blasts Economic Policies
- Risk of Food Insecurity
- Harare's Water Woes Worsens
- Tax-Free Threshold Increased

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2. Price Movements-Exchange Rate and Selected products  
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Parallel rate for cash moved to Z\$150 billion:US\$1 against  
inter-bank average of Z\$80 billion:US\$1

Bank transfer rate slipped to Z\$750 billion:US\$1; official rate:  
Z\$30,000:US\$1

Bread on the parallel market went up to Z\$200 billion vs. controlled  
price of Z\$400 million

Sugar rose to Z\$350 billion/2kg vs. controlled price of Z\$8  
million/2kg

Cooking oil rose to Z\$250 billion/750ml vs. controlled price of  
Z\$9.3 million/750ml

Petrol and diesel rose to Z\$200 billion/liter vs. controlled price  
of Z\$60,000/liter

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On the Political/Social Front  
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Negotiations to Resume... ZANU-PF and the MDC will resume negotiations on August 3 in Pretoria. Progress is reportedly being made with an agreement possible by the end of the week to form a power-sharing government that will include Mugabe and Tsvangirai with both having executive powers. See Harare 651.

Violence Continues... Despite the MOU between ZANU-PF and the MDC that calls for a cessation to the violence, pockets of Zimbabwe continue to experience violence and intimidation. In some villages, people have been forced to pay ZANU-PF militias livestock, food, and money to "atone" for their affiliation with MDC. In addition, the Solidarity Peace Trust has issued a new report detailing political events in Zimbabwe since the March 29 elections and the ongoing political violence. [http://www.solidaritypeacetrust.org/reports/desperately\\_seeking\\_sanity.pdf](http://www.solidaritypeacetrust.org/reports/desperately_seeking_sanity.pdf) See also Harare 652.

U.S. Expands Financial Sanctions... President Bush issued a new Executive Order on July 25 expanding financial sanctions against Zimbabweans involved in undermining democracy and committing human rights violations. The Treasury Department also added new entities to the list of sanctioned individuals. In response, many have contacted the embassy both requesting clarification on their transactions and proposing additional individuals and companies for the list. The new E.O. is at: <http://www.whitehouse.gov/news/releases/2008/07/>

HARARE 00000654 002 OF 003

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HARARE 00000654 003 OF 003

foods earlier than normal. The report estimates that two million Zimbabweans are at risk of food insecurity this year.

Harare's Water Woes Worsens... Further symptomatic of Zimbabwe's crumbling infrastructure, the Zimbabwe National Water Authority (ZINWA) is increasingly unable to maintain water supplies due to pipe bursts, electricity blackouts and lack of chemicals. As a result, most Harare suburbs are going for months without running water. The Combined Harare Residents Association (CHRA) has warned of serious looming health problems. It maintains that the decision to create ZINWA was careless and misguided as the organization lacks the capacity to run and manage urban water supplies. The recently elected mayor of Harare, Muchadeyi Masunda, voiced similar sentiments, and called for the City of Harare to take over the function.

Tax-Free Threshold Increased... The government increased the tax-free income threshold from Z\$25 billion (US\$0.20 before revaluation) to Z\$5 trillion (US\$42) per month. While the benefit to workers might appear to be immense, hyperinflation swiftly pushes most formally employed workers up into the highest tax category where earnings attract a marginal tax rate of 47.5 percent.

MCGEE